

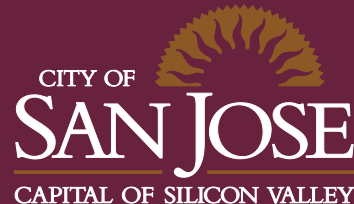
# History of Employment Land Conversions in San José and the Fiscal Impact of Land Use

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City Council Study Session

April 14, 2015

Item 11.3



# Agenda

- 1 Envision San Jose 2040 General Plan & Major Strategies
- 2 History & Impact of Employment Land Conversions
- 3 Fiscal Impact of Land Use
- 4 Strategy to Retain & Grow Employment Uses
- 5 Upcoming General Plan Annual Review & Four Year Revision
- 6 Council Discussion
- 7 Public Comment

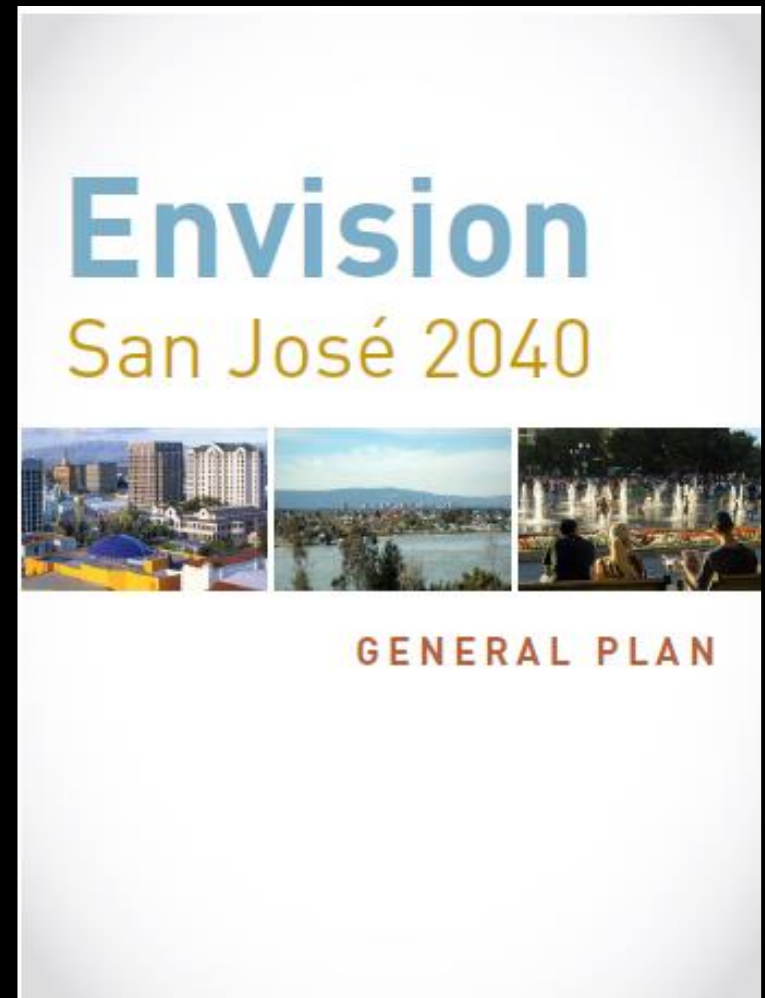
# 1

## **Envision San José 2040 General Plan & Major Strategies**

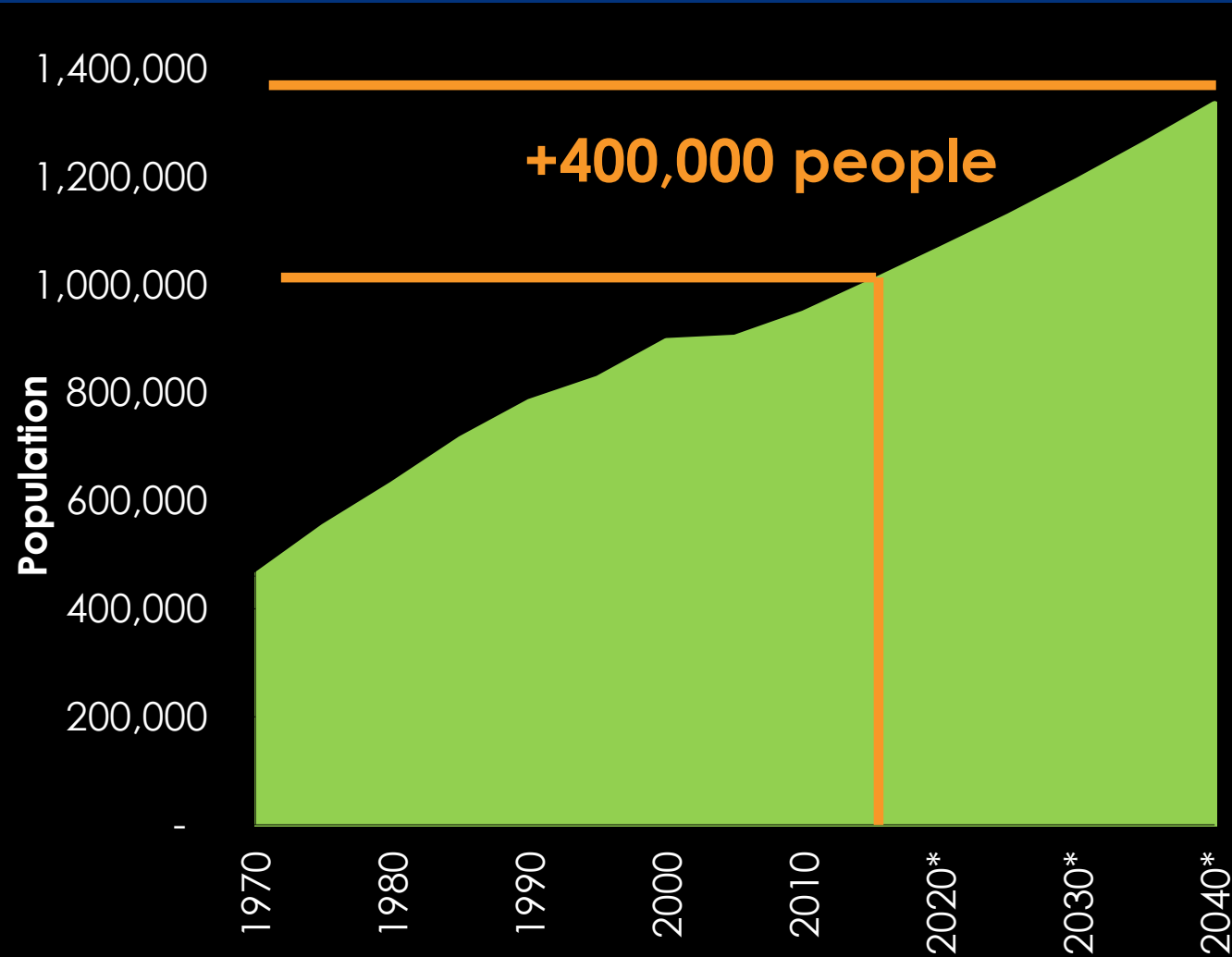
# Envision San José 2040

## **Blueprint for the City**

The General Plan is the City's official policy statement regarding its future character, land use patterns, and quality of development.

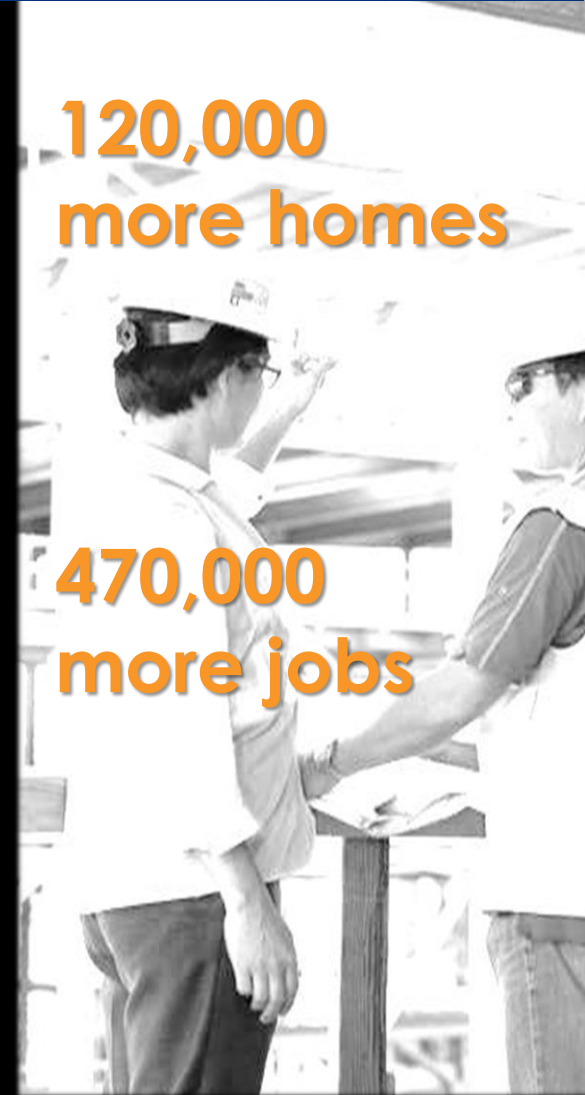


# Our Planned Growth



**120,000  
more homes**

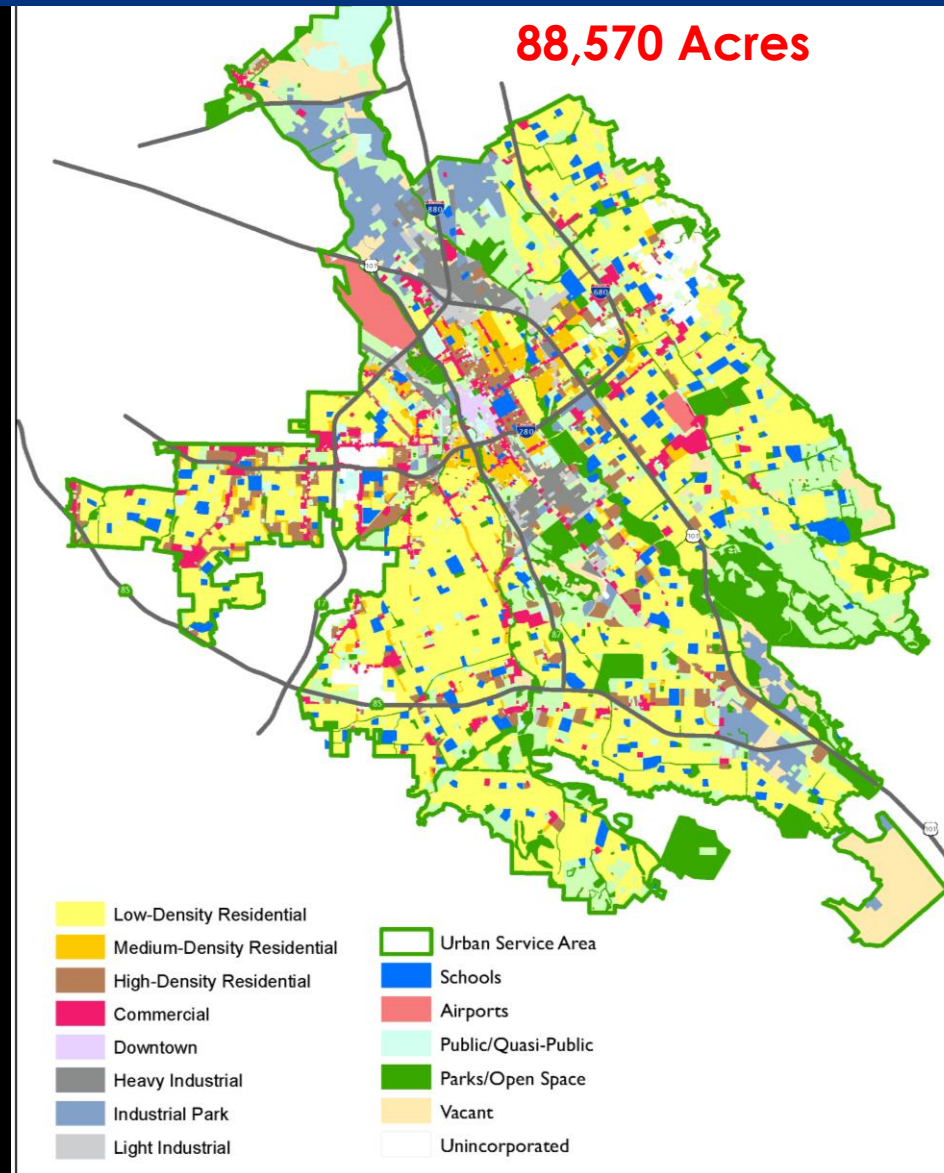
**470,000  
more jobs**



# Envision San José Major Strategies



# Existing Land Use in San José





# Regional Employment Center



- Plan for 470,000 New Jobs
- Achieve 1.3 jobs per San José Worker

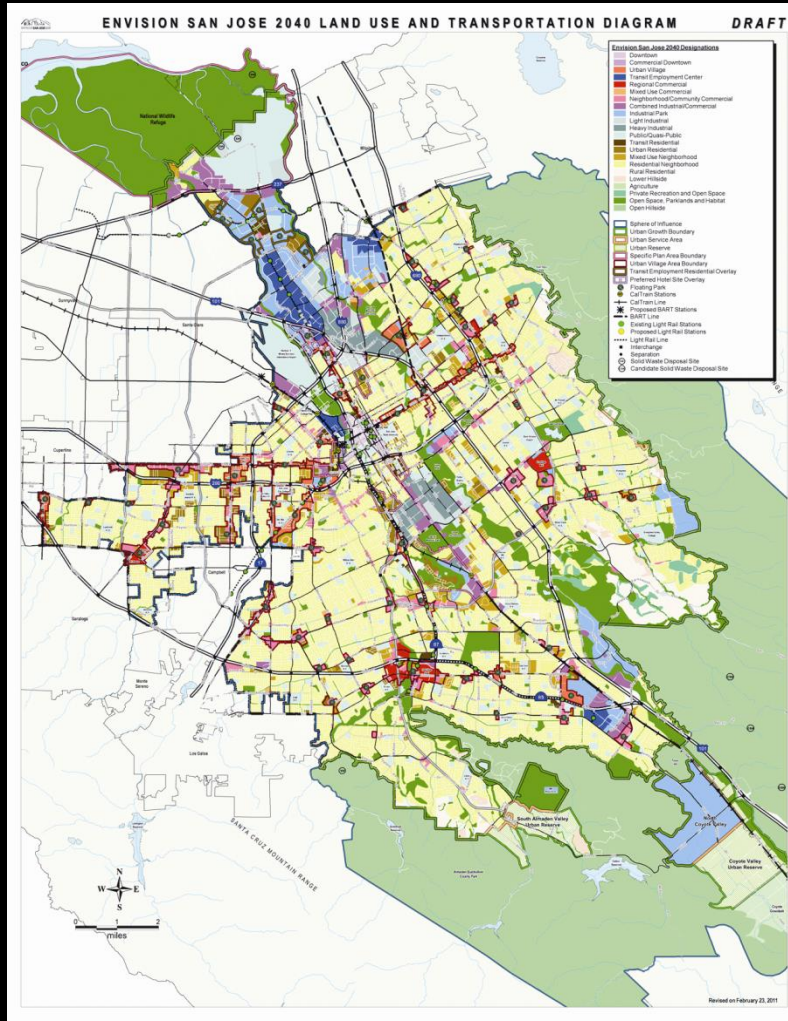


# Regional Employment Center

- Intensify existing employment lands
- Create transit-oriented urban employment centers
- Enhance and expand commercial activity
- Maintain and enhance Industrial Areas
- Achieve broad economic prosperity



# A Fiscally Strong City



- Delivers services efficiently
- Cultivates financial resources
- Preserves employment lands



# Significant Housing Growth Planned

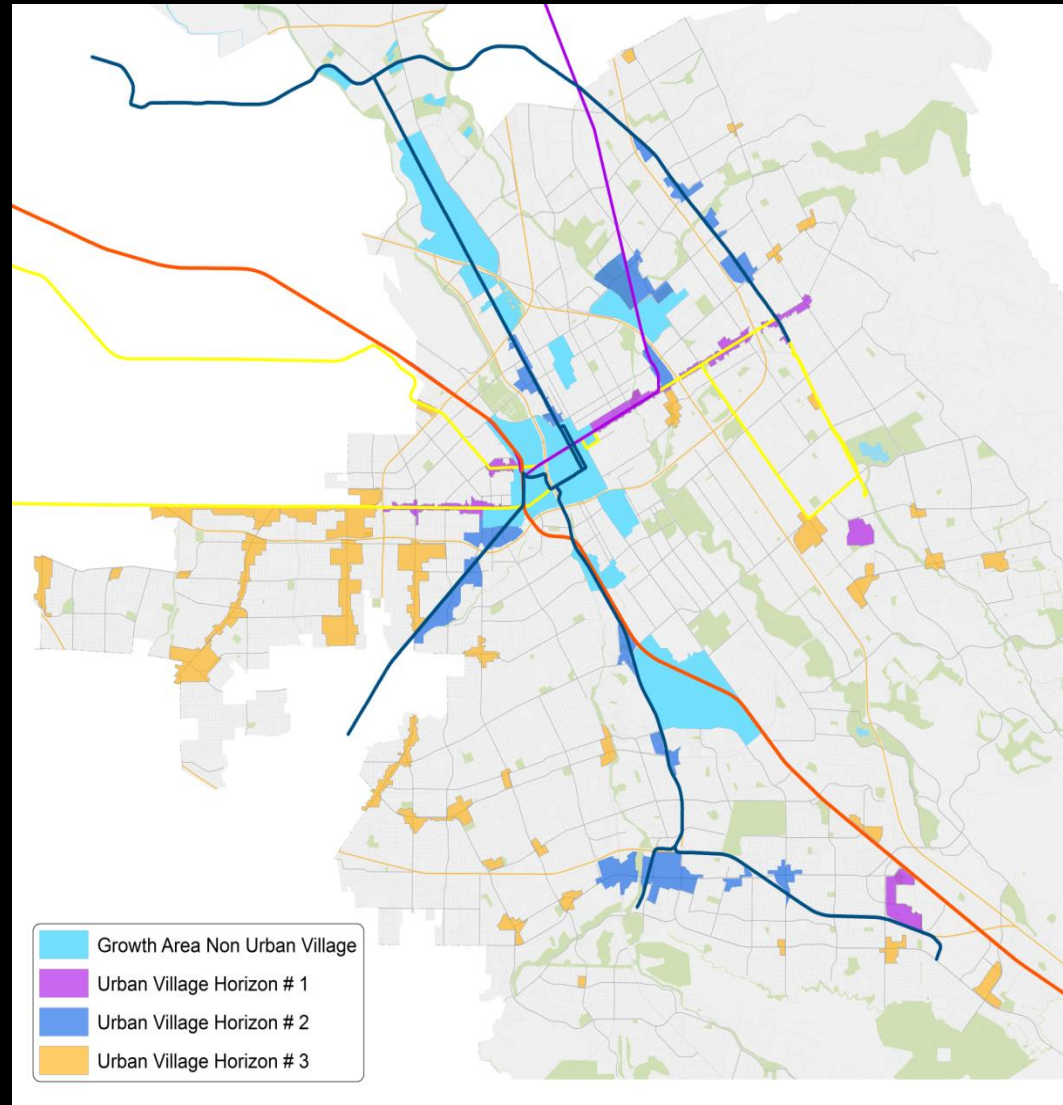
Infill 120,000 new housing units

- Areas served by transit and existing public services
- Integrate with employment / commercial uses
- Minimize impact on existing single family neighborhoods or employment areas



# Significant Housing Growth Planned

- Urban Villages
- Downtown
- North San José
- Specific Plan Areas





# Jobs in San José



## *Jobs to Employed Resident* INDICATOR

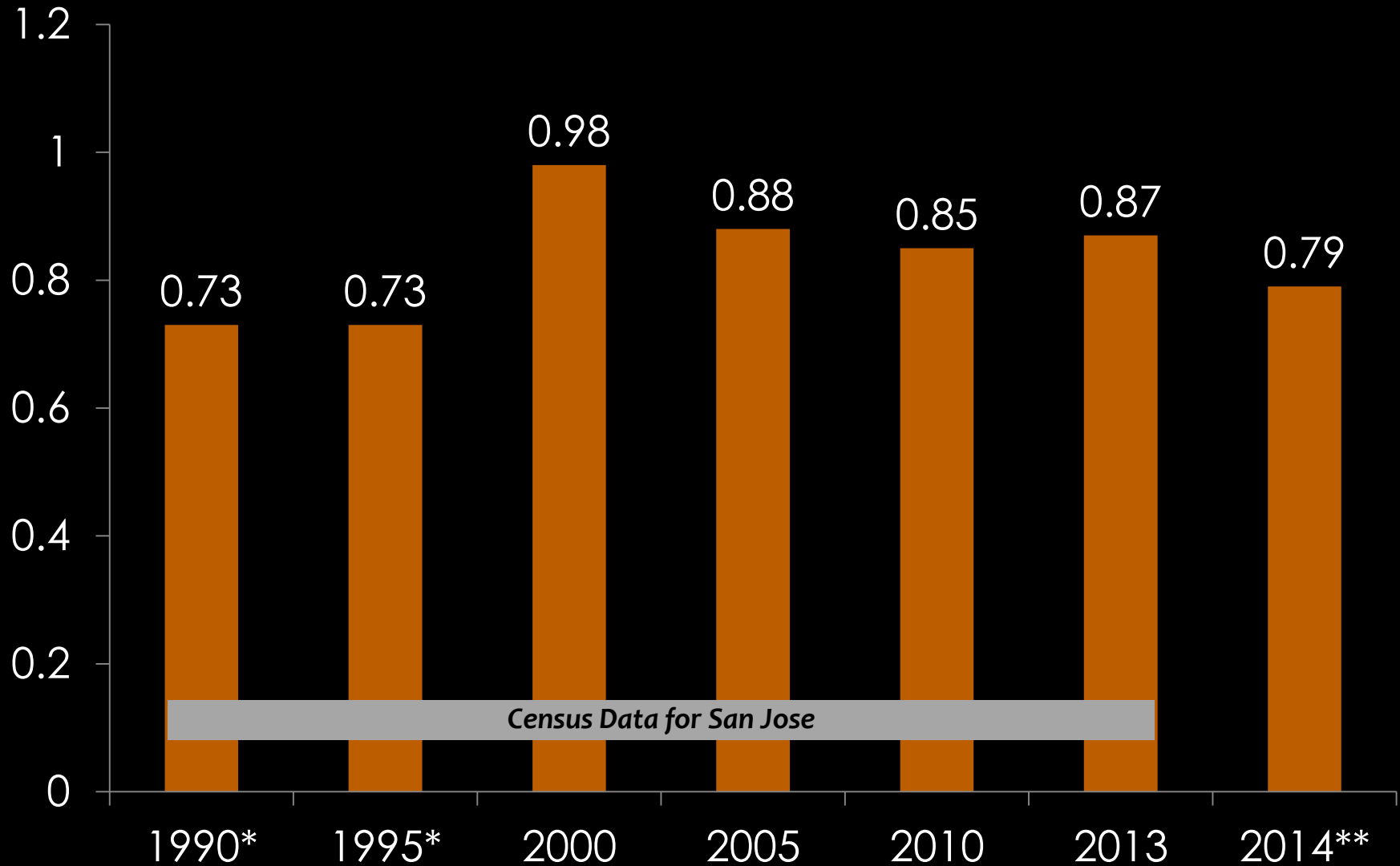
- Fiscal fitness
- Mix of land uses
- Quality of life
- Commute traffic patterns

**SAN JOSE IS UNIQUELY**  
**“JOBS-POOR”**  
**RELATIVE TO OUR**  
**RESIDENT BASE**

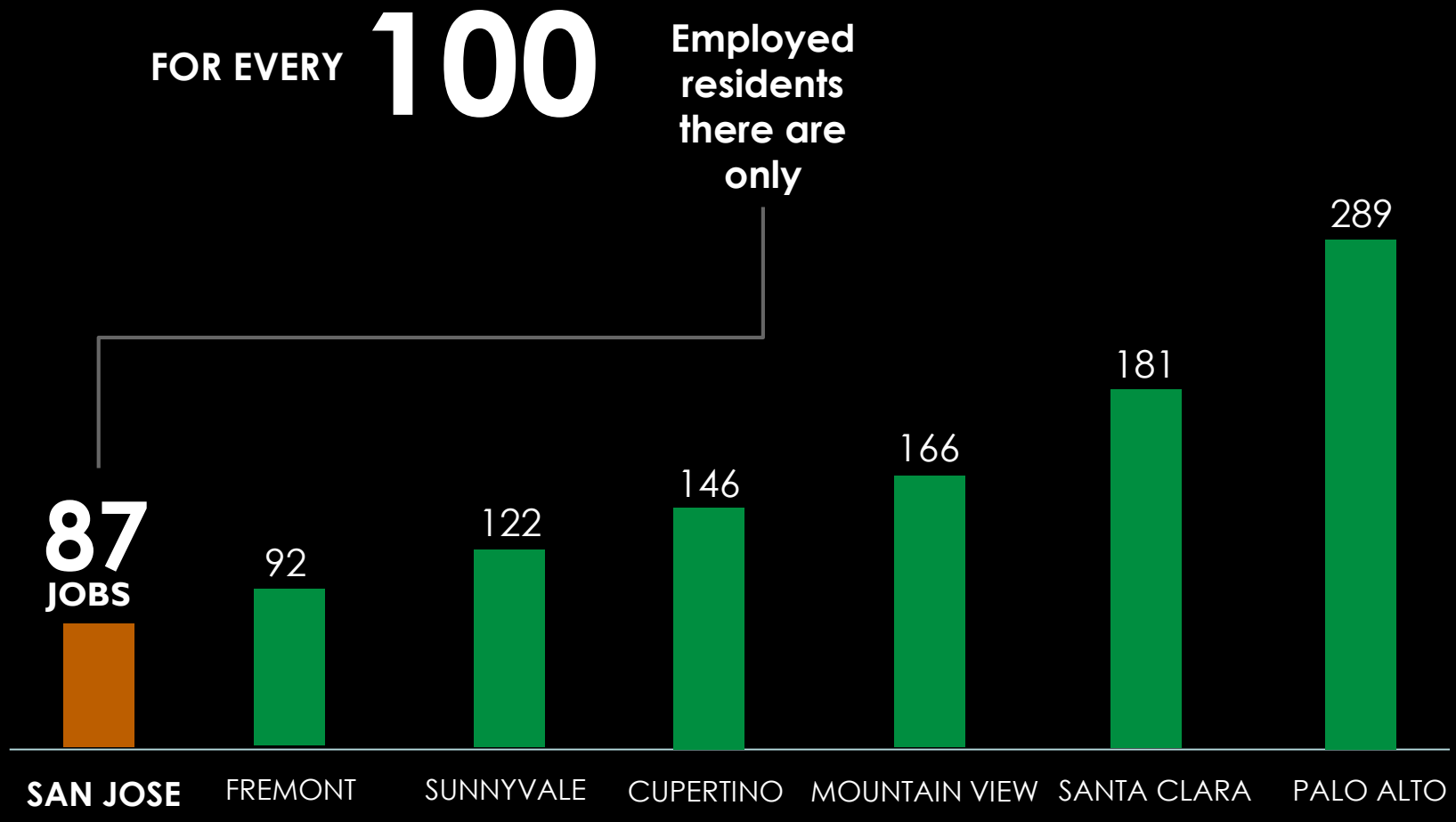




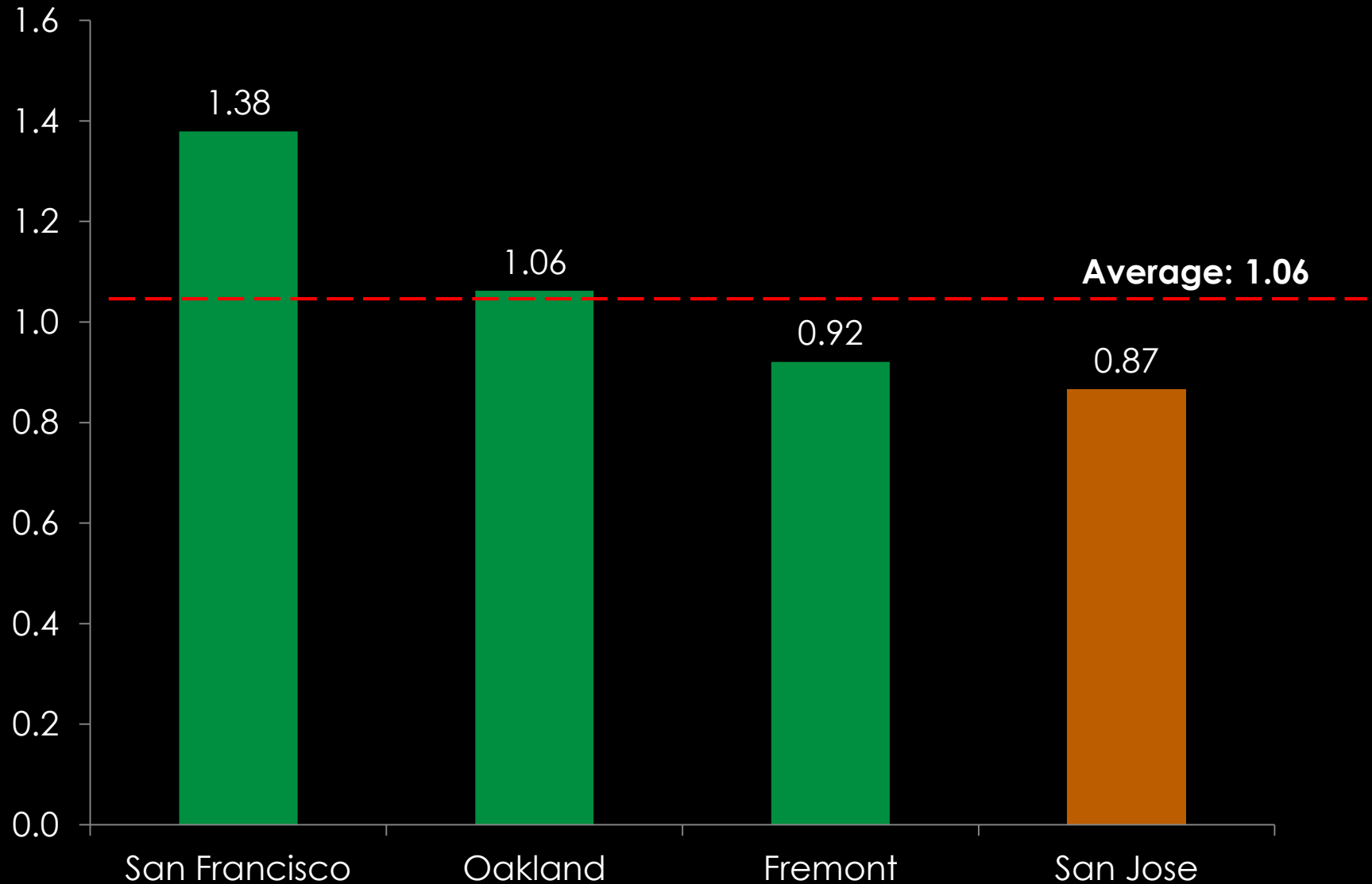
# Jobs Per Employed Resident Historically Unbalanced in San José



# Jobs Per Employed Resident San José vs. Nearby Cities

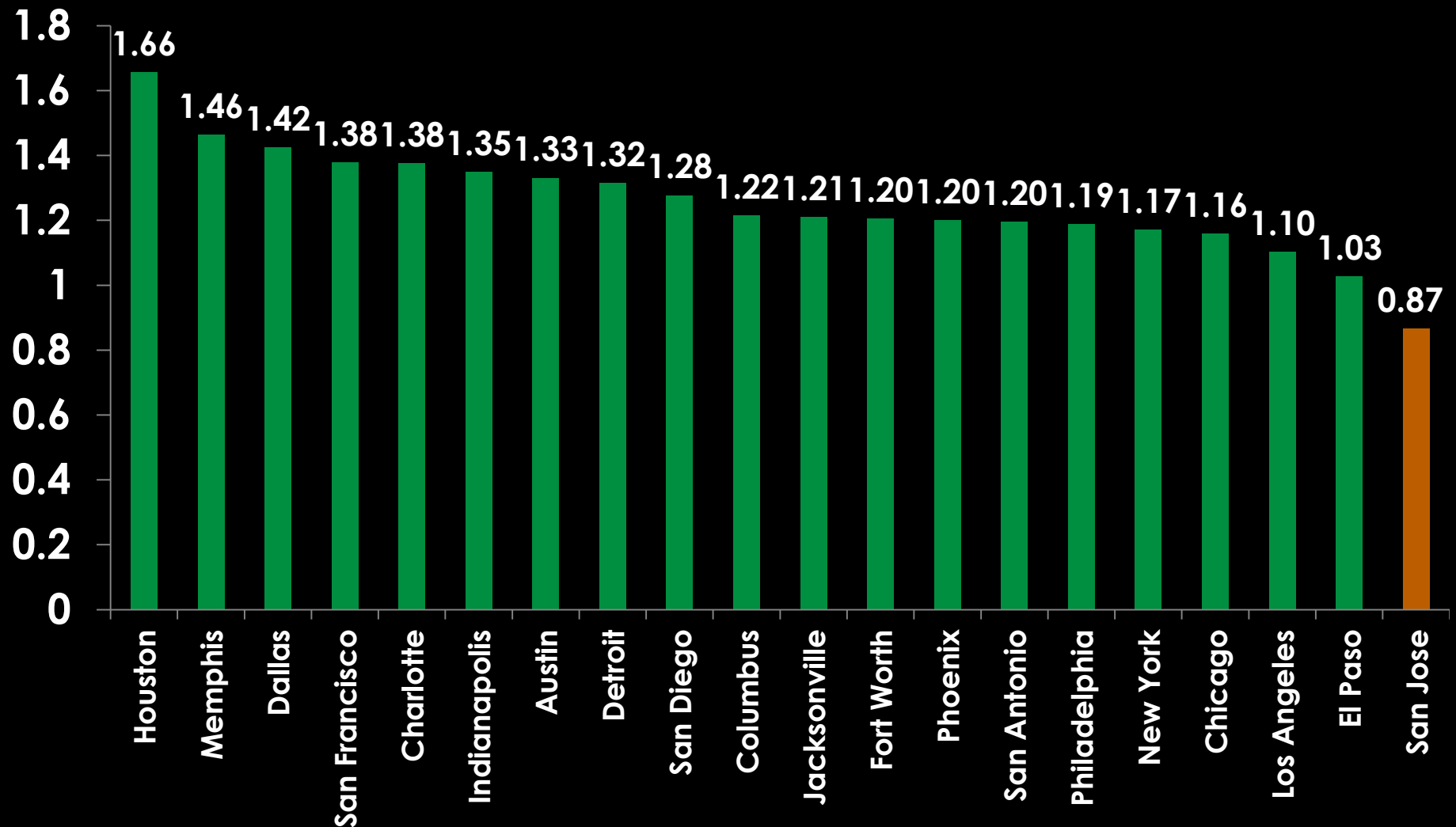


# Jobs Per Employed Resident San José vs. Area's Large Cities



Source: Census, American Community Survey 2013

# Jobs Per Employed Resident San José vs. Nation's Top 20 Cities



# SJ: Only City in Nation's Top 20



**With More Nighttime Residents** than Daytime Workers



# 2

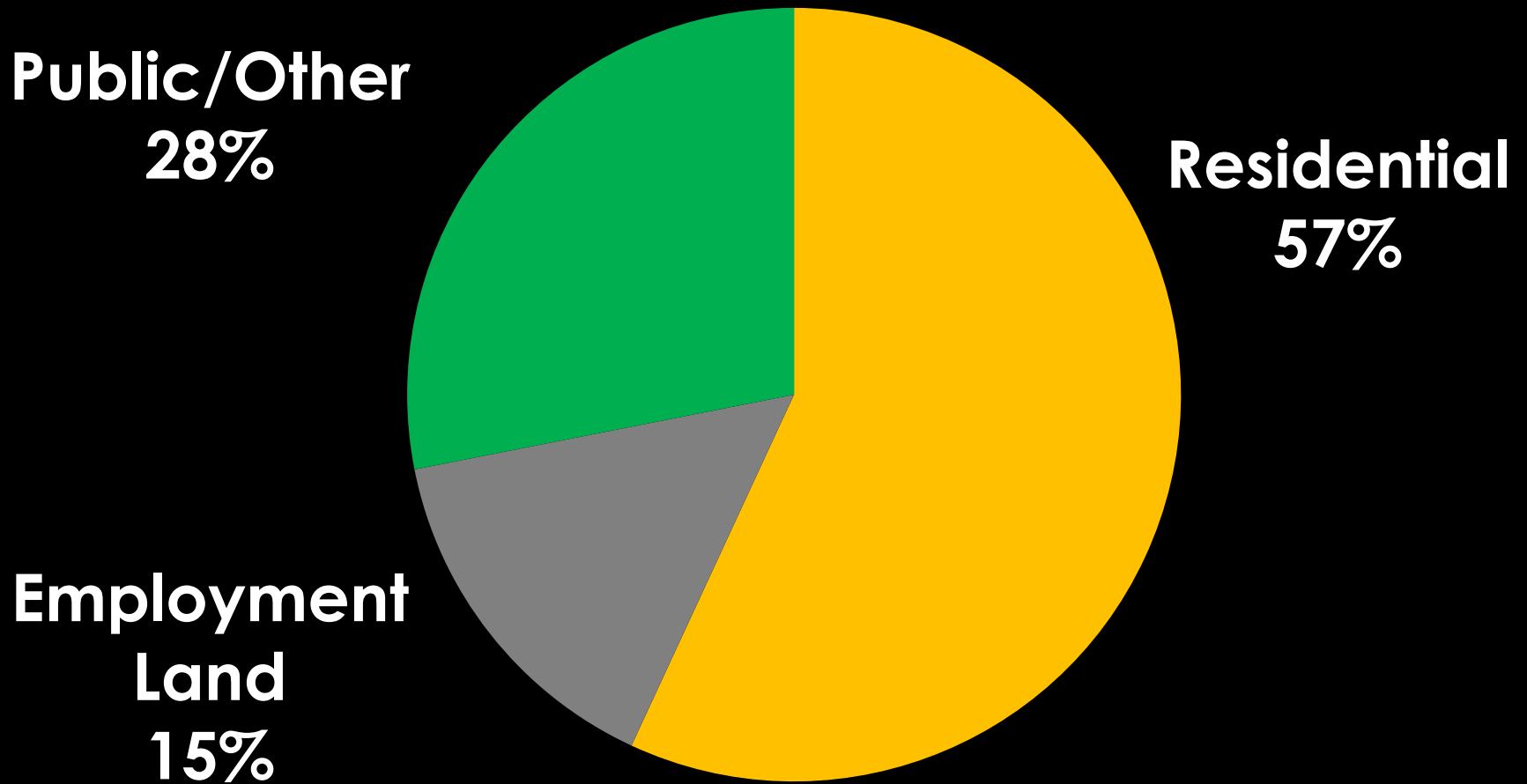
## **History & Impact of Employment Land Conversions**

# Four Types of Employment Lands

Lands that support private-sector employment

- Light Industrial (LI)
- Heavy Industrial (HI)
- Commercial (CG) (Office/Retail)
- Industrial Park (IP)

# Of Existing Lands, Only 15% is for Employment Uses



# Light Industrial (LI) - 1.6% of Land Base

## Monterey Corridor, North & Central San José



- Transportation/Distribution
- Building/Construction
- Industrial Suppliers
- Electronic Components
- Warehousing



Hourly wages: \$21 to \$40  
Avg. Vacancy rate: 4.5%

# Heavy Industrial (HI) - 2.1% of Land Base

## Monterey Corridor and North San José



- Industrial Suppliers
- Misc. Manufacturing
- Concrete/Asphalt Businesses
- Recyclers
- Waste Management



Hourly wages: \$15 to \$35  
Avg. Vacancy rate: 4.5%



# Opportunities to Intensify HI & LI Lands Are Limited

- HI & LI uses cannot be easily intensified because of horizontal space and outdoor storage requirements
- City cannot create more HI or LI without rezoning

# Commercial (CG) - 2.2% of Land Base

Downtown, Neighborhood Business Districts  
and Major Street Corridors



- Offices
- Retail/Consumer Services
- Restaurants
- Hotels
- Medical



Hourly wages:

-Retail - \$12 to \$28

-Professional - \$18 to \$95

Avg. Vacancy rate: 4.6%

# Industrial Park (IP) - 9% of Land Base

## Edenvale, North San José

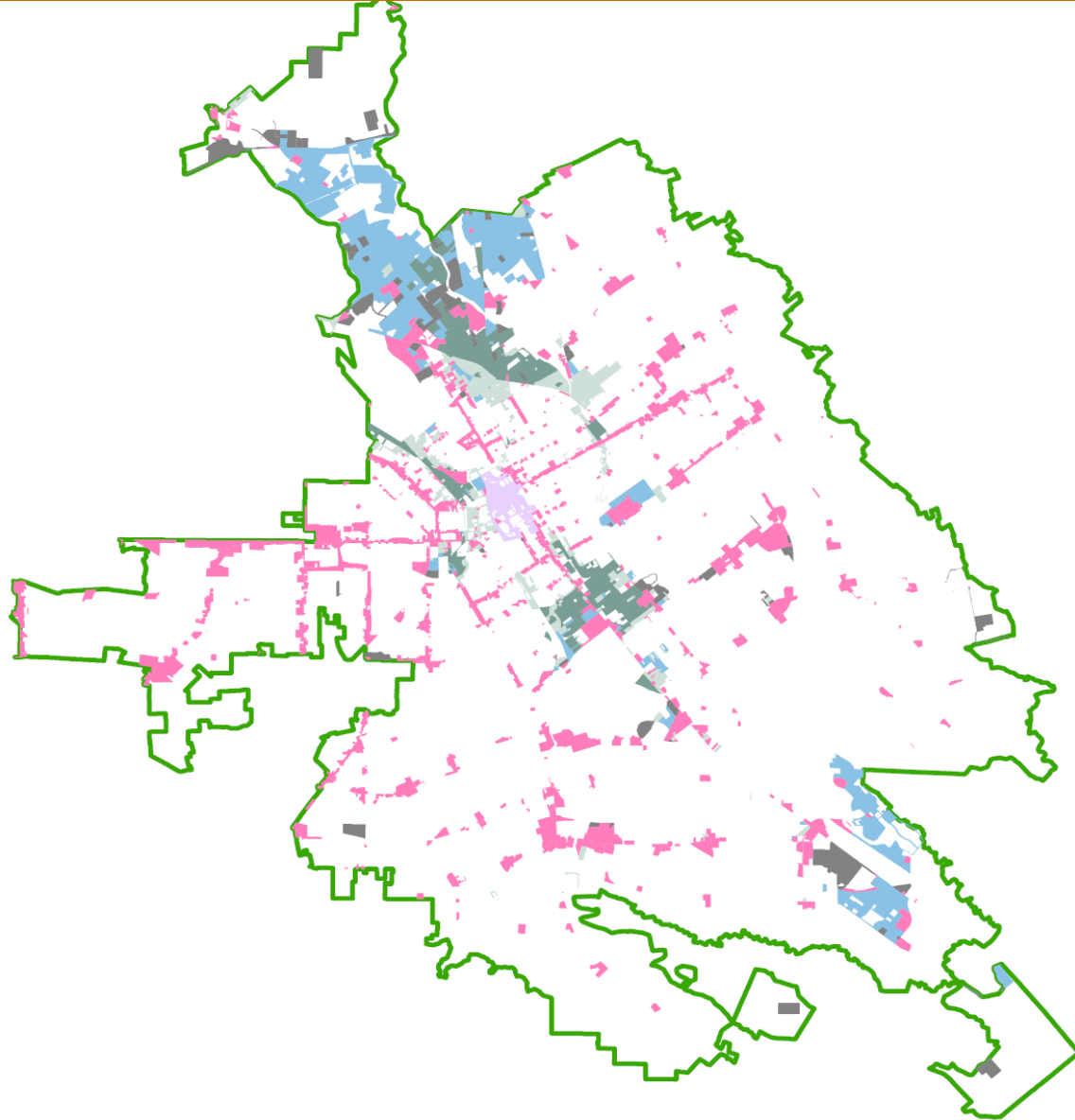


- Tech Campuses and Corporate Headquarters
- Software
- Corporate Office
- Computer/Communication
- Research and Development

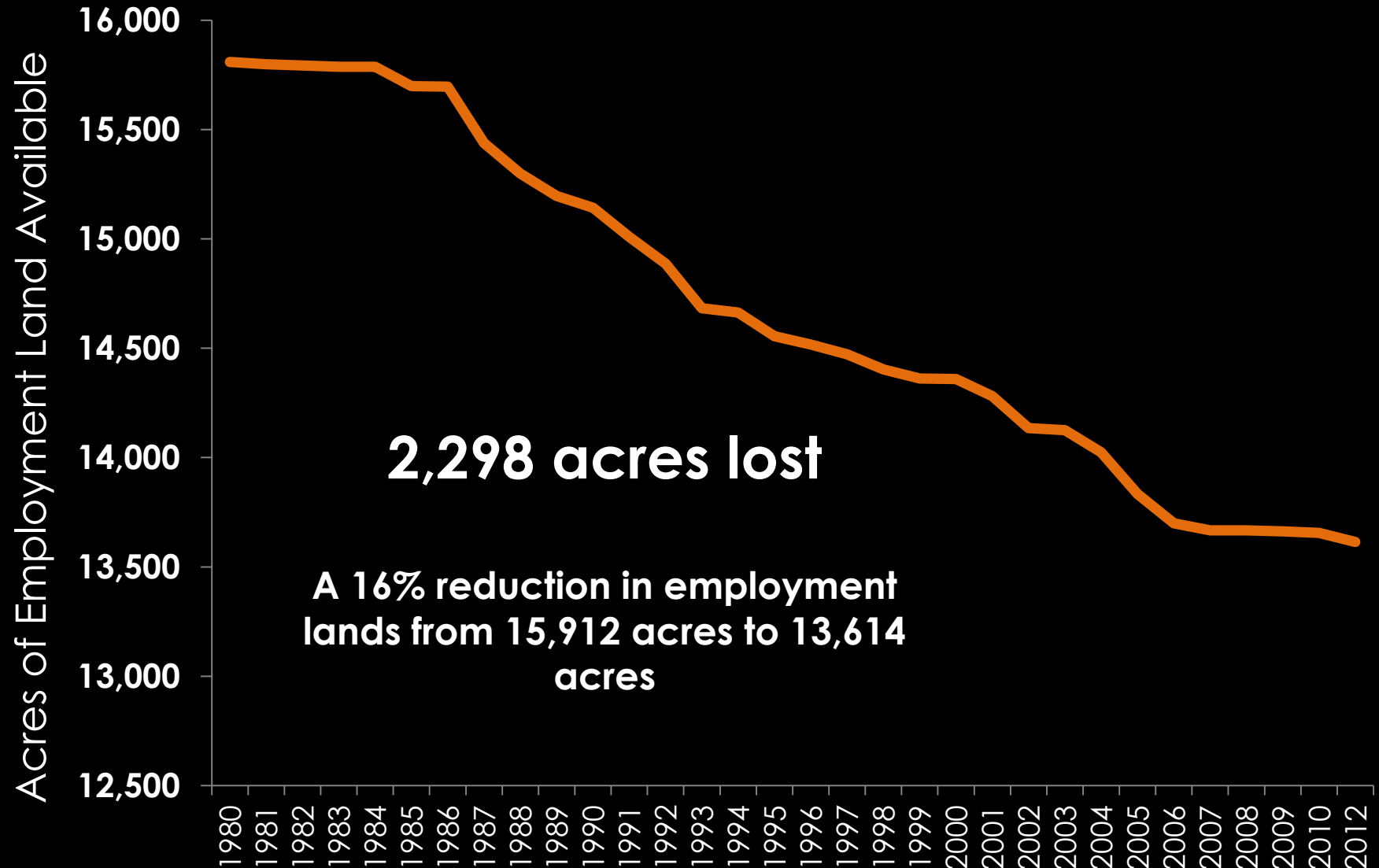


Hourly wages: \$18 to \$100+  
Avg. Vacancy rate: 15%

# Existing Employment Lands

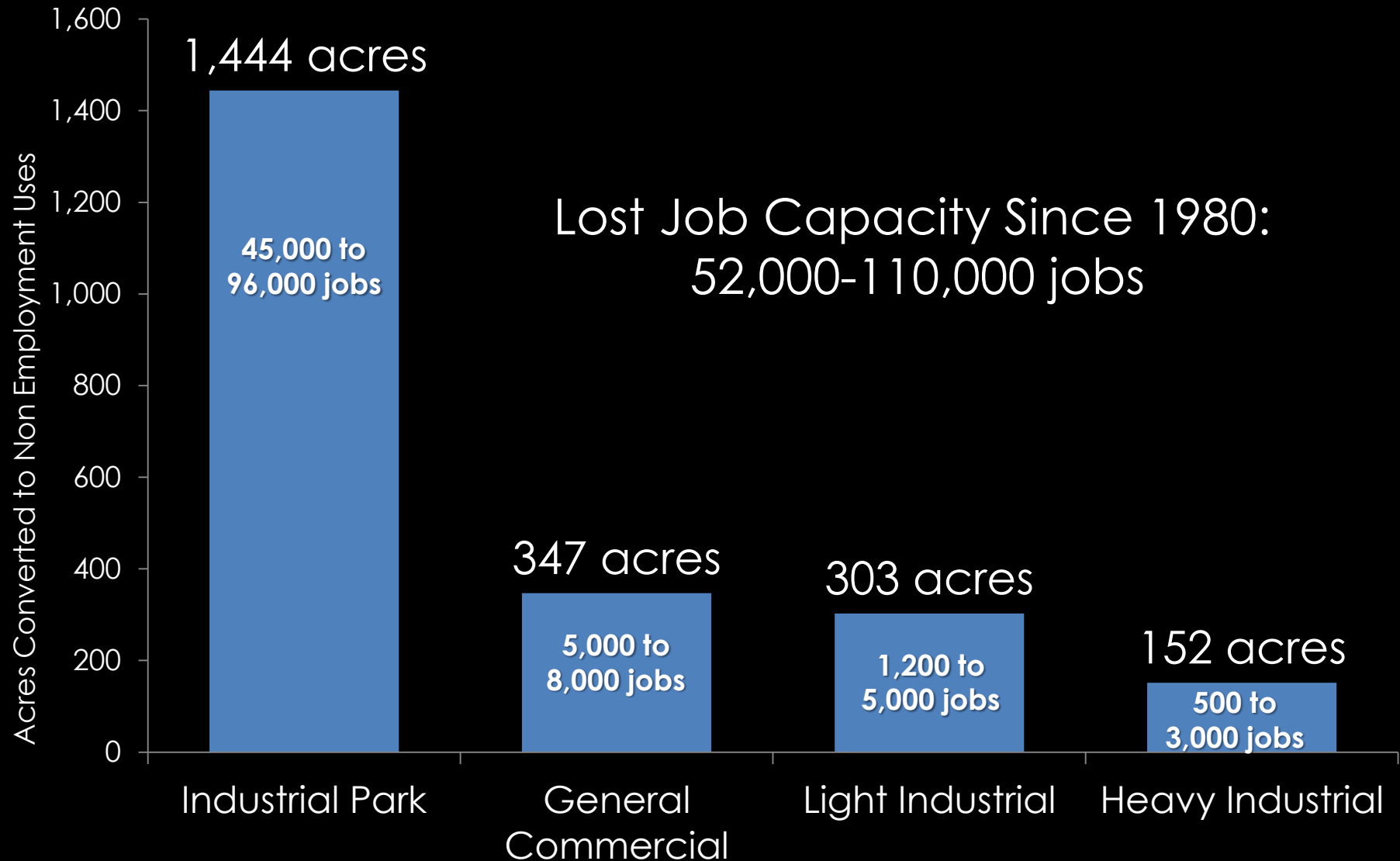


# Employment Land Eliminated Through Conversions Since 1980: 2,298 acres





# Conversions Eliminated Capacity for 52,000-110,000 Jobs



# Halting Employment Land Conversions

2007

City Council adopts the  
“Framework for Preservation of  
Employment Land”

- "No net loss" of total employment capacity as the result of any amendment to the General Plan
- "No net loss" from non-employment land use conversions of Light or Heavy Industrial acreage
- "Extraordinary Economic Benefit" conversions shall be limited to those instances where there will be an increase or retention of jobs, and a significant increase in revenue to the City, or a significant capital contribution for investments in economic development

2011

Envision 2040 incorporates  
Framework and includes  
additional policies:

- Preserve and protect industrial uses
- Prohibit conversion of lands designated for industrial uses to non-industrial uses
- Prohibit encroachment of incompatible uses into industrial lands

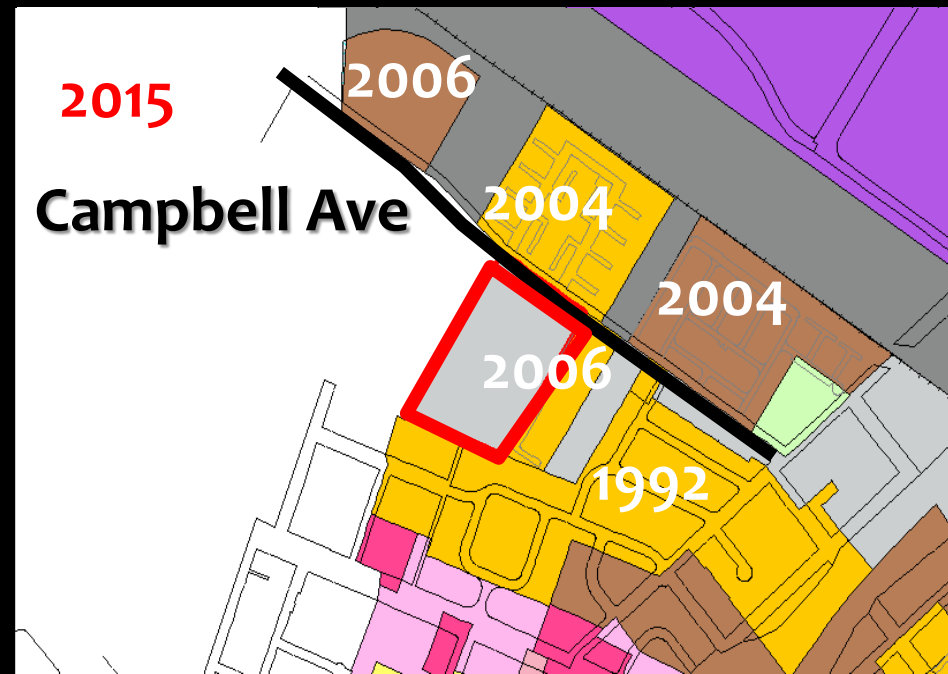
# Conversion Case Studies

Case Study 1: Campbell Avenue

Case Study 2: Oakland Road Corridor

Case Study 3: Monterey Corridor

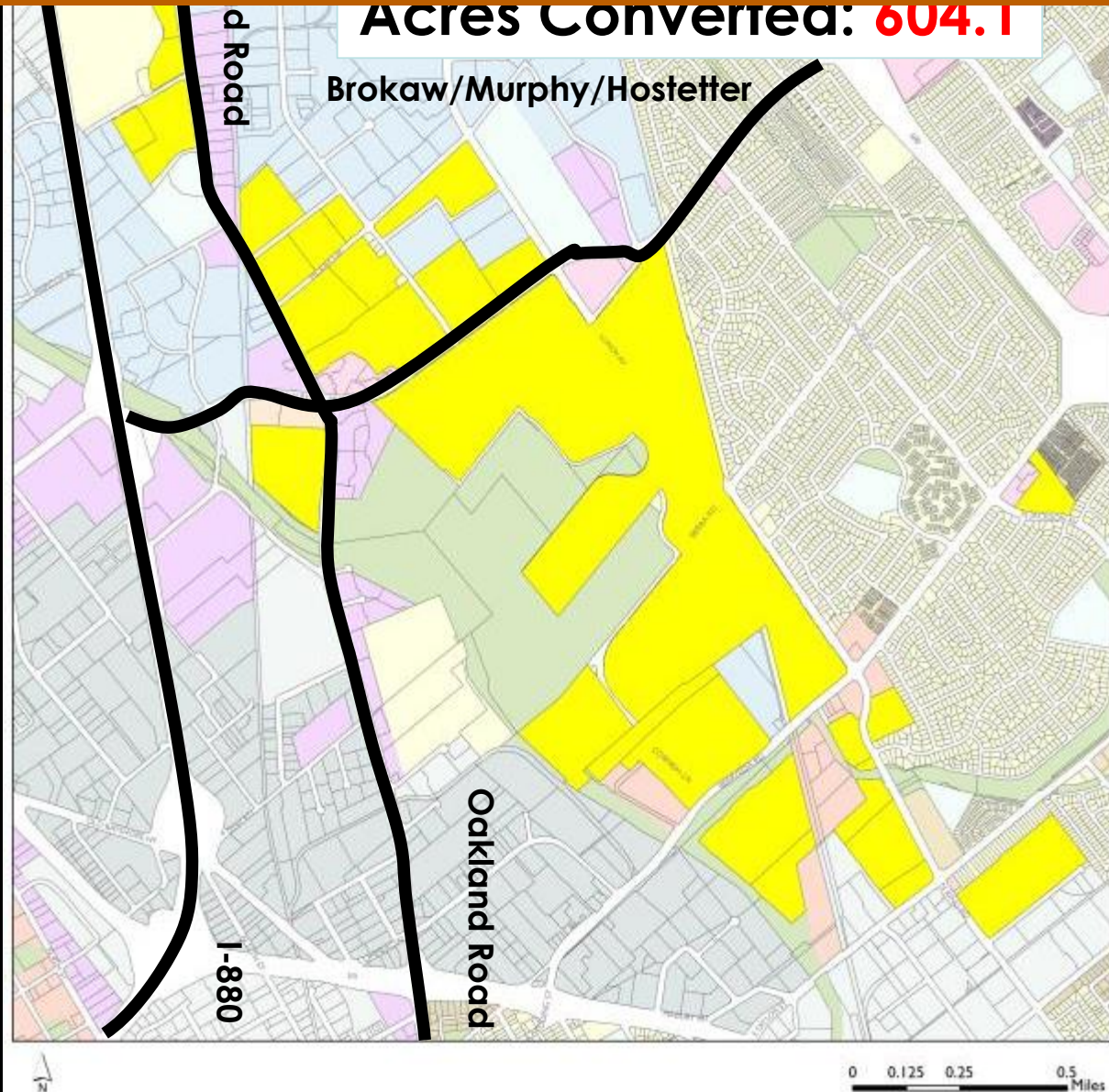
# Case Study 1: Campbell Avenue



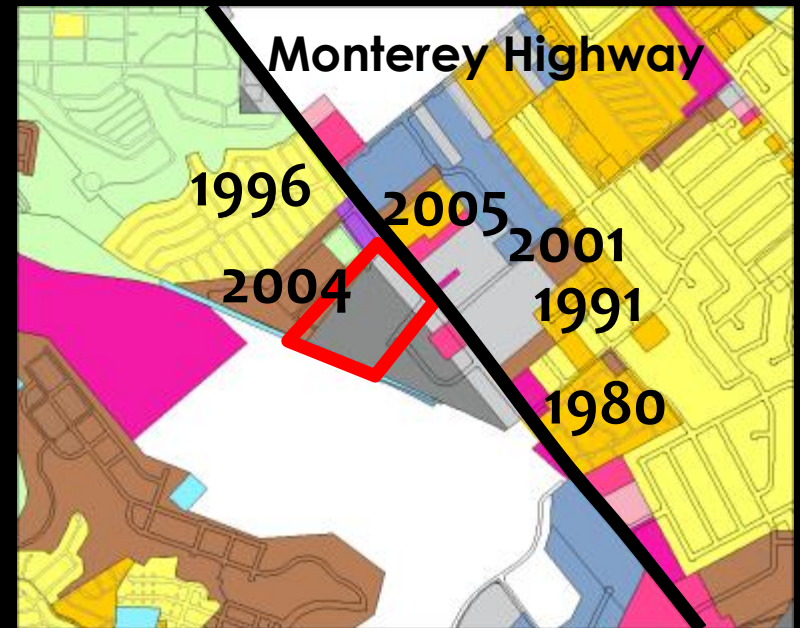
1185 Campbell Avenue, San José  
Light Industrial  
45,000 sq. ft.



# Case Study 2: Oakland Road Corridor



# Case Study 3: Monterey Corridor



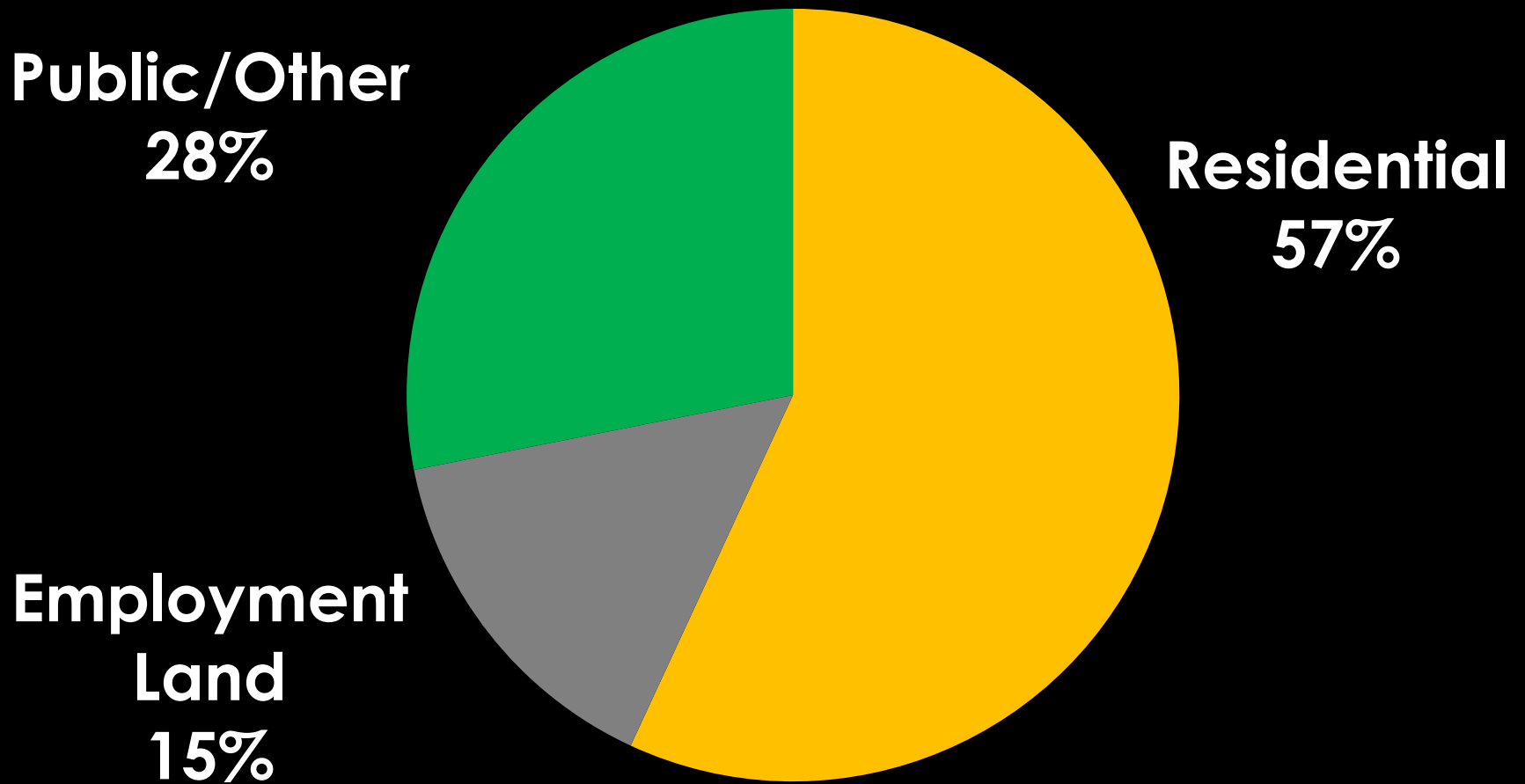
**Monterey Highway**

# 3

## Fiscal Impact of Land Use

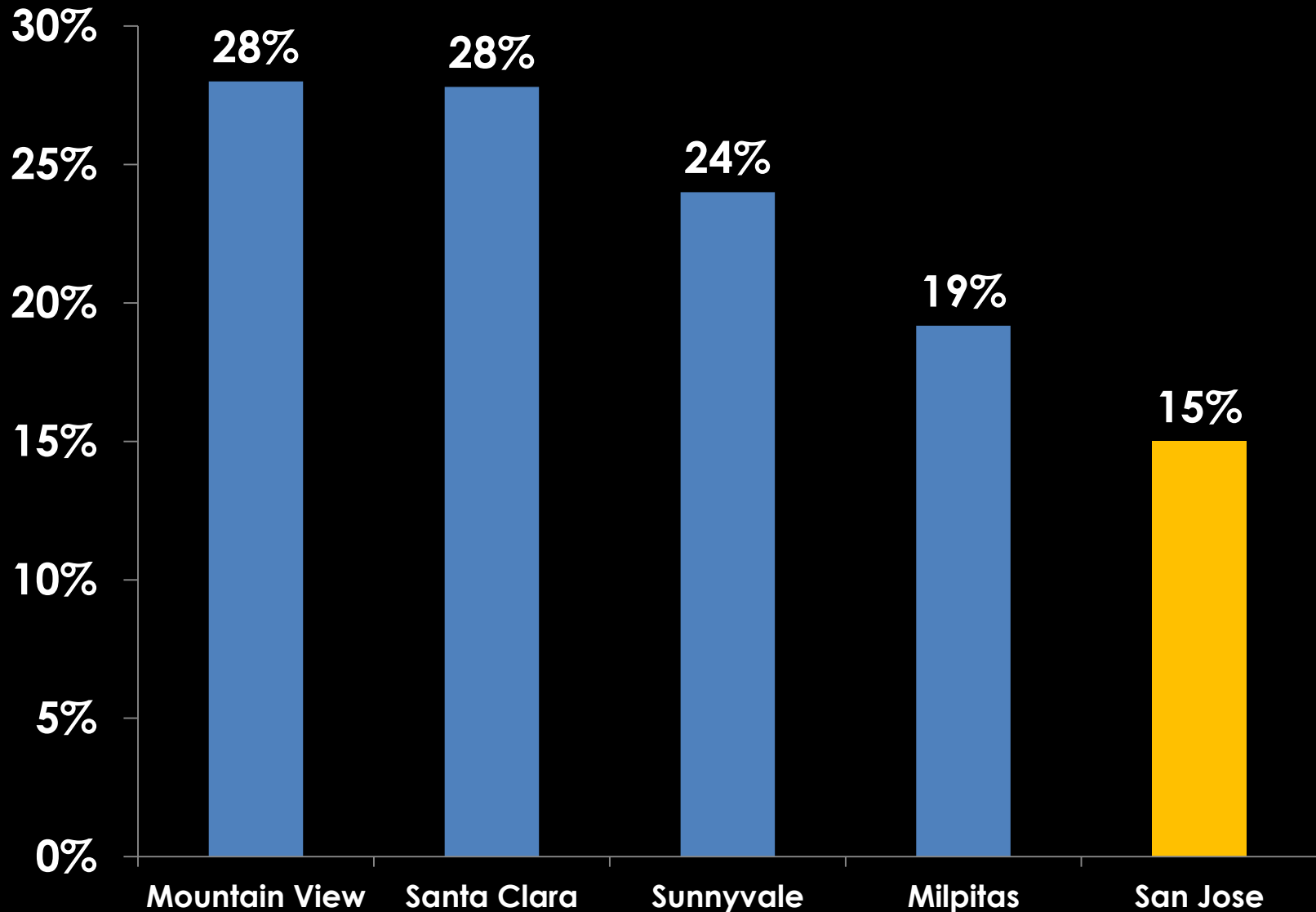


# Of Existing Lands, Only 15% is for Employment Uses



San José's Portfolio of Land Uses, 2015

# Other Cities Use 20-30% of Lands for Employment



# Lower Sales Tax Per Capita

PALO ALTO

**\$370**

CUPERTINO

**\$338**

MOUNTAIN VIEW

**\$186**

SANTA CLARA

**\$320**

SUNNYVALE

**\$192**

FREMONT

**\$172**

SAN JOSE

**\$142**

# Lower Property Tax Per Capita

PALO ALTO

**\$407**

CUPERTINO

**\$285**

SUNNYVALE

**\$213**

MOUNTAIN VIEW

**\$260**

SANTA CLARA

**\$237**

FREMONT

**\$172**

SAN JOSE

**\$140**



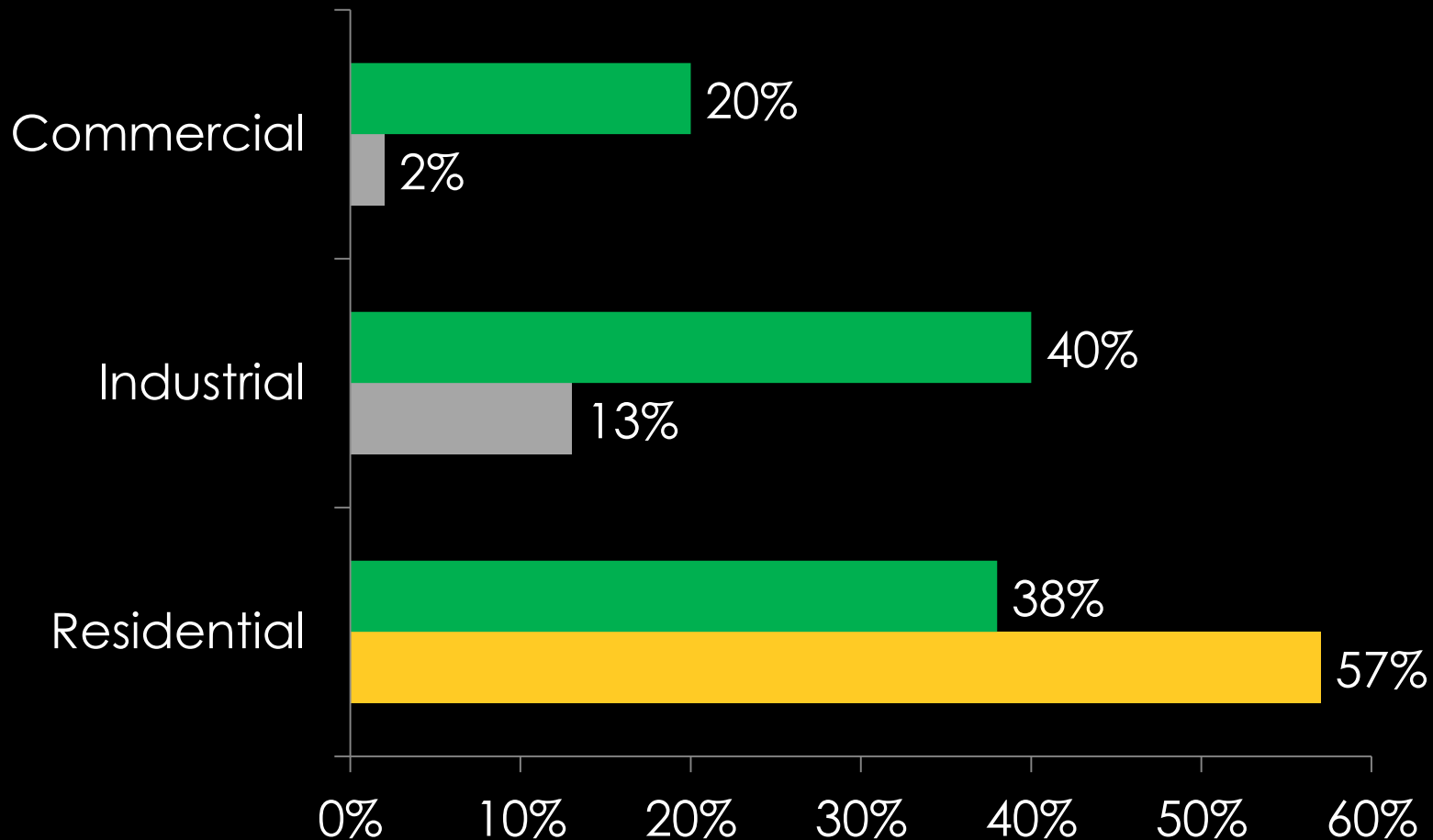
# Why Does the Portfolio Mix Matter?

## Employment Lands:

- ✓ Generate More Revenue
- ✓ Cost Less To Serve
- ✓ Have Positive Fiscal Impact

# 60% of SJ General Fund Revenue Sourced from 15% of Land

■ Employment Land ■ Residential Land ■ Revenue



City Revenue included: Property Tax, TOT, Sales Tax, Utility Tax, Gaming Tax

# Annual Revenue Per Acre Varies by Use

<i>One Acre of Use</i>	<i>Annual Revenue Per Acre</i>
Large Format Retail	\$95,800
Auto Dealer	\$82,100
Office/R&D	\$77,700
Office Tower (1 acre of site)	\$60,300
Condominiums (20 units)	\$51,500
Apartments (30 Units)	\$48,000
Single Family (7 units)	\$35,400
Neighborhood Retail	< \$10,000



# "Fiscal Impact of Land Use" Study

- Applied Development Economics
- Updates 2010 Report
- Updates service cost info for Police, Fire, Libraries, PRNS, and DOT
- Includes spending by residents in housing related revenue; assumes 30% “leakage”
- Preliminary data, final report for Fall

# Net Fiscal Impact: Existing Land Uses

	<b><i>Single Family</i></b>	<b><i>Low Density Multi-Family (2-4 units / bldg)</i></b>	<b><i>Medium Density Multi-Family (5+ units / bldg)</i></b>
<b>Net (Cost)/Revenue</b>	(\$72.7 M)	(\$23.9M)	(\$43.0M)
<b>Net Per Dwelling Unit</b>	(\$349)	(\$700)	(\$533)
<b>Net Per Person</b>	(\$105)	(\$234)	(\$226)

	<b><i>Commercial</i></b>	<b><i>Industrial Park</i></b>	<b><i>Light/Heavy Industrial</i></b>
<b>Net (Cost)/Revenue</b>	\$84.1 M	\$66.5M	\$2.5M
<b>Net Per 1,000 sq. ft.</b>	\$1,629	\$1,321	\$58
<b>Net Per Employee</b>	\$570	\$575	\$42

# Net Fiscal Impact: New Higher-Density Residential Projects

	High Rise Projects		Medium Density Projects		
	The Axis	The 360	One E. Julian	Winchester Urban Village	Southwest Expwy Village
Units/acre	266	201	43	63	49
Net (Cost)/ Revenue	\$182,800	\$163,500	\$7,800	\$13,400	\$34,300
Net Per Dwelling Unit	\$554	\$805	\$181	\$268	\$377
Net Per Person	\$235	\$341	\$77	\$113	\$160

Key Question: Fiscal Impact over time?

# 4

## Strategy to Retain & Grow Employment Uses

# Pursue Economic Development With High Fiscal Impact

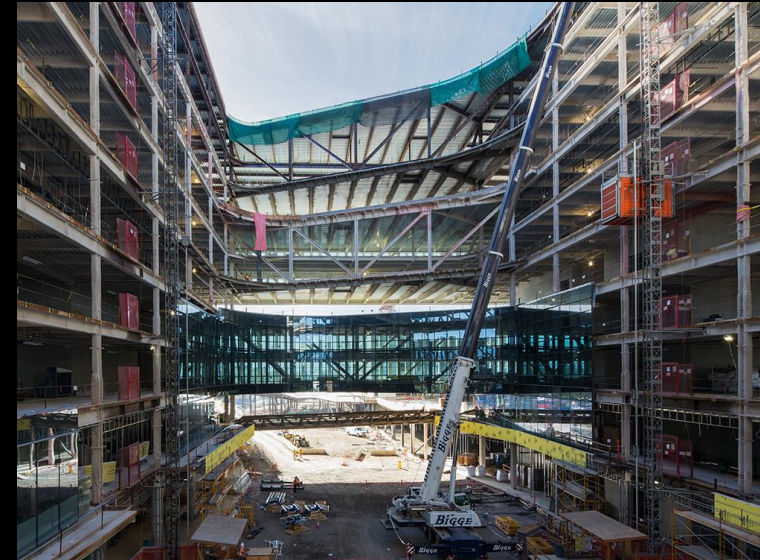
- Develop remaining large retail sites
- Intensify existing large retail sites
- Retain auto rows





# Pursue Economic Development With High Fiscal Impact

- Attract companies to new, denser or renovated offices
- Retain & grow manufacturing companies and sites
- Sell remaining large City-owned sites for development



# Near-Term Drivers of Job Opportunity



- Shift from social media to connected devices (IoT)
- Advanced manufacturing
- Restricted growth in Peninsula/South Bay cities
- Apple campus & expansion: Stevens Creek

# SJ: Positioned for Next Wave of Job-Related Investment

## Attractions



- Room to grow – lease space & land available
- New high-rise, mid-rise housing
- Reverse commute
- Downtown transit convergence

## Challenges



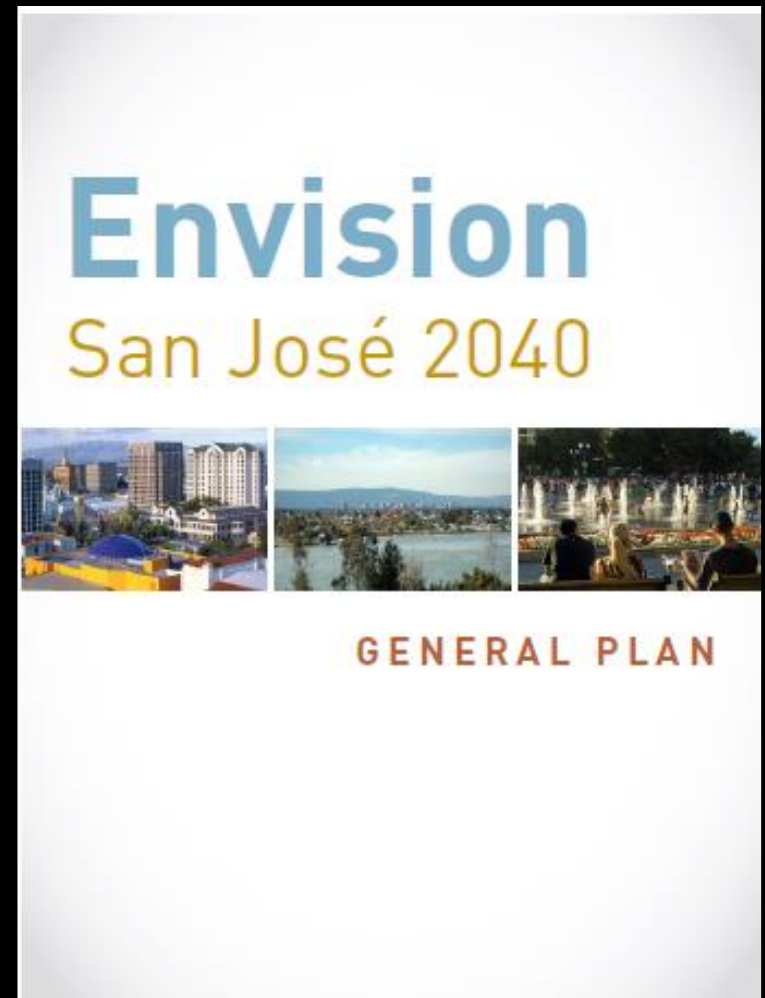
- “End point” location
- Not “on Caltrain”
- Awareness and image
- Few amenities in NSJ

5

**Upcoming  
Annual Review & Four-Year Review  
of General Plan**

# General Plan Annual Review

- Review and consider private- and City-initiated amendments to the General Plan
- Evaluate progress in implementing General Plan
- Maintain or enhance City's total employment capacity through amendments made during the Annual Review





# 2015 Proposed Conversions to Residential

	Proposed Conversions
Total Acres	27.52
Total Square Footage	(1,198,771)
Job Capacity Lost	(340)

# Near-Term Market Pressure vs. Long-Term Fiscal Health

## **Near Term**

- Businesses look to maximize return and minimize cost
- Market conditions drive rents (commercial, industrial and residential)
- No eye toward balancing market cycles

## **Long Term**

- Considers land use decisions and conversions
- Envision 2040 General Plan allows for density throughout San José without conversion
- Diverse portfolio of land uses balances market cycles

# Four-Year Review: What is it?

- Envision 2040 General Plan was adopted November 1, 2011
- It established a Four Year Review process – ***this is the year for the Four-Year Review!***
- Asks the question: “What needs tweaking?”
- Answers the question with data to help drive considerations of refinements

# Four-Year Review: Scope

Evaluate progress on:

- Economic development
- Fiscal and Infrastructure/Service Goals
- Greenhouse gas emission reduction
- Water conservation and recycling
- Affordable Housing
- “Healthful Community” concept
- Addendum to Envision San Jose EIR

# Four-Year Review: Process

- Reconvene Envision San José 2040 Task Force
- Begin process in Fall 2015
- Five public Task Force meetings held through Winter 2015
- Planning Commission and City Council Hearings in Spring 2016



# Next Steps

## **ANNUAL REVIEW**

- Early consideration of one proposed industrial conversion  
April 21
- Early consideration of two proposed industrial conversions  
May 12
- Planning Commission and City Council Hearings  
Fall 2015

## **4-YEAR REVIEW**

- Present proposed scope to Community and Economic Development Committee  
April 27, 2015
- Return to Council with refined scope  
May-June 2015



# 6

## Council Discussion